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Canada

Dairy and Products

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Report Highlights:

In calendar year 2002, fluid milk production was down slightly to 8.0 million metric tonnes (MMT) from 2001 levels due to less cows in milk. Total (cheddar and variety) cheese production totaled 335,000 metric tonnes (MT), while butter production amounted to 76,000 MT. Production of skim milk powder dropped to 81,000 MT. For 2003, total fluid milk production is forecast to drop to 7.96 MMT. Total cheese production is forecast to decrease slightly to 320,000 MT. Butter production is forecast to drop to 70,000 MT. Skim milk powder production is forecast to drop to 80,000 MT. Total cheese exports are forecast to drop by more than 40% to just 10,000 MT. Butter imports are forecast to increase by more than 30% to 25,000 MT. Skim milk powder exports are forecast to drop by almost 40% to just 30,000 MT.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report

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DAIRY SITUATION 2002

Fluid Milk

Fluid milk production in calendar year 2002 was down slightly to 8.0 million metric tons (MMT) from 2001 levels due to less cows in milk, after Statistics Canada, in their latest Agriculture Census Revision, adjusted "cows in milk" down for 2002 from 1.14 million head. Due to the reduction in the dairy herd, and a slight decline in production from 7.43 kilograms (kg) per cow in 2001 to 7.35 kg/cow, production of derived dairy products decreased for 2002.

According to Statistics Canada, Canadian consumers purchased over 2.8 million kilolitres of milk and cream in 2002, down 2.4% from 2001 levels. A decrease in sales of fluid milk to just over 2.6 million kilolitres was a major factor in this decline as the sales of 2% and homogenized milk continued their long-term downward trend.

Canada shipped nine million metric tonnes of fluid milk, up almost 29% from 2001 levels, with the U.S. market absorbing the increase.

Cheese

Total cheese production in 2002 increased by almost two percent to 335,000 metric tonnes (MT). Total imports of cheese into Canada increased slightly in calendar year 2002 to 28,000 MT, up from 27,000 MT in 2001. The U.S. market share of imported cheese rose from 22% in 2001 to 25% in 2002. Canadian exports of cheese decreased by almost 11% to 17,000 MT, but Canadian exports to the U.S. remained unchanged from the previous year at 6,000 MT.

Butter

Butter production decreased by almost 10% to 76,000 MT in 2002. Butter imports dropped by almost 27% to 19,000 MT, but 33% higher beginning stocks resulted in a just a 10% reduction in total butter supplies. Canadian butter exports increased slightly to 17,000 MT in 2002 from 16,000 MT in 2001. The U.S. continues as the primary market for Canadian butter exports, with exports to the U.S. remaining unchanged at 15,000 MT.

Nonfat Dry Milk (Skim Milk Powder)

Skim milk powder (SMP) production also decreased by 10% to 81,000 MT in 2002. SMP imports dropped from 3,000 MT to 1,000 MT from the U.S., but higher beginning stocks countered the decline in imports. Canadian SMP exports increased slightly by nearly seven percent to 49,000 MT in 2002. The reduction in SMP supplies, coupled with rising exports and stable domestic consumption resulted in ending stock of SMP plummeting sharply by 63% to just 7,000 MT.

DAIRY OUTLOOK 2003

Fluid Milk

Based on Statistics Canada milk cow numbers on January 1, 2003 of 1,075,000 head, and per-cow productivity recovering to trend-levels, fluid milk production for calendar year 2003 is forecast to be 7.96 MMT, relatively unchanged from 2002 levels. Based on three months of calendar trade data from Statistics Canada, fluid milk exports are forecast to drop by one-third to just 6,000 MT, with about 83% going to the U.S. Fluid and factory use domestic consumption are forecast by Post to remain unchanged from 2002 levels, while domestic feed use is forecast to increase slightly over 2002 levels.

Cheese

Cheese production for 2003 is forecast to decrease slightly to 320,000 MT. Cheese imports are also forecast to decrease by over 20% based on three months of trade data available from Statistics Canada to 22,000 MT. The U.S. is forecast to account for more than 25% of Canadian imports. Canadian cheese exports are forecast to drop by more than 40% to just 10,000 MT as Canada implements the World Trade Organization (WTO) Appellate Body ruling on Canada's subsidized dairy exports. Post forecasts that approximately half of Canadian exports will go to the U.S. Canadian human domestic consumption is forecast to fall slightly from 335,000 MT to 330,000 MT, while ending stocks are forecast to rise to 53,000 MT.

Butter

Canadian butter production for 2003 is forecast to decrease by less than three percent to 70,000 MT. Although butter imports, based on three months of trade data from Statistics Canada, are forecast to increase by more than 30% to 25,000 MT, reduced beginning stocks will result in slightly reduced butter supplies. Butter exports are also forecast to decrease by more than 10% to 15,000 MT based on three months of trade data available from Statistics Canada. Canadian domestic consumption as well as ending stocks are forecast to remain relatively unchanged.

Nonfat Dry Milk (Skim Milk) Powder

Canadian SMP for calendar year 2003 is also forecast by Post to decrease slightly by more than two percent to 80,000 MT. Imports of SMP are forecast to increase to 3,000 MT, returning to 2001 levels. However, sharply reduced beginning stocks, down by more than 60% will see total SMP supplies decrease by more than 10%. As a result of reduced supplies, Canadian exports of SMP are forecast to drop significantly by almost 40% to just 30,000 MT compared to 2002 levels. Total domestic consumption of SMP is also forecast to decline slightly to 43,000 MT while SMP ending stocks are expected to recover nearly to 2001 levels.

POLICY DEVELOPMENT AND INDUSTRY NEWS

The table below at the end of the report lists all reports regarding developments in dairy policy and the dairy industry since the 2002 Dairy and Products Annual Report (GAIN CA2121).

DAIRY STATISTICS

Table 1: Fluid Milk PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
Cows In Milk	1091	1091	1084	1084	1080	1075
Cows Milk Production	8106	8106	8130	7964	8170	7960
Other Milk Production	0	0	0	0	0	0
TOTAL Production	8106	8106	8130	7964	8170	7960
Intra EC Imports	0	0	1	1	1	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	1	1	1	1
TOTAL SUPPLY	8106	8106	8131	7965	8171	7961
Intra EC Exports	0	0	0	0	0	0
Other Exports	7	7	5	9	5	6
TOTAL Exports	7	7	5	9	5	6
Fluid Use Dom. Consum.	2909	2909	2850	2885	2850	2880
Factory Use Consum.	4869	4869	4876	4709	4900	4710
Feed Use Dom. Consum.	321	321	400	362	416	365
TOTAL Dom. Consumption	8099	8099	8126	7956	8166	7955
TOTAL DISTRIBUTION	8106	8106	8131	7965	8171	7961
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Calendar Yr. Exp. to U.S.	6	6	4	8	4	5
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Table 2: Cheese PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Cheese				(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	53	46	50	49	44	51
Production	322	329	315	335	315	320
Intra EC Imports	0	15	0	15	0	12
Other Imports	27	12	26	13	30	10
TOTAL Imports	27	27	26	28	30	22
TOTAL SUPPLY	402	402	391	412	389	393
Intra EC Exports	0	5	0	4	0	0
Other Exports	19	14	12	13	10	10
TOTAL Exports	19	19	12	17	10	10
Human Dom. Consumption	333	334	335	344	335	330
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	333	334	335	344	335	330
TOTAL Use	352	353	347	361	345	340
Ending Stocks	50	49	44	51	44	53
TOTAL DISTRIBUTION	402	402	391	412	389	393
Calendar Yr. Imp. from U.S.	6	6	6	7	7	6
Calendar Yr. Exp. to U.S.	5	6	4	6	5	5

Table 3: Butter PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Butter				(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	15	15	20	20	22	13
Production	82	84	90	76	90	70
Intra EC Imports	0	2	0	1	0	1
Other Imports	26	24	18	18	20	24
TOTAL Imports	26	26	18	19	20	25
TOTAL SUPPLY	123	125	128	115	132	108
Intra EC Exports	0	0	0	0	0	0
Other Exports	16	16	21	17	23	15
TOTAL Exports	16	16	21	17	23	15
Domestic Consumption	87	89	85	85	87	80
TOTAL Use	103	105	106	102	110	95
Ending Stocks	20	20	22	13	22	13
TOTAL DISTRIBUTION	123	125	128	115	132	108
Calendar Yr. Imp. from U.S.	0	0	1	0	1	1
Calendar Yr. Exp. to U.S.	15	15	20	15	19	10

Table 4: Nonfat Dry Milk (Skim Milk Powder)

PSD Table						
Country	Canada					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	17	17	19	19	17	7
Production	90	90	100	81	100	80
Intra EC Imports	0	0	0	0	0	0
Other Imports	3	3	1	1	3	3
TOTAL Imports	3	3	1	1	3	3
TOTAL SUPPLY	110	110	120	101	120	90
Intra EC Exports	0	0	0	0	0	0
Other Exports	46	46	60	49	60	30
TOTAL Exports	46	46	60	49	60	30
Human Dom. Consumption	42	42	40	42	40	40
Other Use, Losses	3	3	3	3	3	3
Total Dom. Consumption	45	45	43	45	43	43
TOTAL Use	91	91	103	94	103	73
Ending Stocks	19	19	17	7	17	17
TOTAL DISTRIBUTION	110	110	120	101	120	90
Calendar Yr. Imp. from U.S.	1	1	0	1	0	1
Calendar Yr. Exp. to U.S.	5	5	7	6	5	2

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Related FAS/Ottawa Reports:

Report Number	Title of Report	Date
CA3031	Canada Announces End of WTO Dairy Case	5/16/2003
CA3017	Canada must Go Further to Advance Trade in Agriculture Says Food and Restaurant Association	3/28/2003
CA3015	Canada Remains Concerned with WTO Modalities Paper	3/21/2003
CA3015	WTO Review Misses the Mark Say Dairy Farmers	3/21/2003
CA3013	Funding Doubled for Canadian Agriculture and Food Promotion	3/07/2003
CA3011	WTO Draft Ag Proposal Doesn't Meet Canada's Objectives	2/21/2003
CA3011	WTO Draft Agriculture Plan Reveals Weakness in Canadian Trade Position	2/21/2003
CA3011	Dairy Farmers of Canada Rejects Draft WTO Proposal	2/21/2003
CA3011	Statistics Canada Confirms Lower Cattle Numbers; Slower Hog Expansion	2/21/2003

CA3011	Canadian Federal Budget Increases Ag Spending By\$483 Million	2/21/2003
CA3007	Canadian Spending on Agriculture	1/30/2003
CA2145	Canada Disappointed with WTO Dairy Decision	12/20/2002
CA2145	Dairy Farmers Urge Government to Comply with WTO Dairy Export Ruling	12/20/2002
CA2145	Dairy Commission Increases Prices for Butter and Skim Milk Powder	12/20/2002
CA2145	Dairy Farmers Disappointed by CDC Pricing Announcement	12/20/2002
CA2145	Dairy Industry Overcharges Buyers by Millions of Dollars a Year	12/20/2002
CA2144	Dairy Farmers Protest Erosion of Supply Management	12/20/2002
CA2141	Dairy Prices Inflated by Millions of Dollars Annually	12/12/2002
CA2141	Canadian Dairy Products "A Good Deal" Proclaims Dairy Group	12/12/2002
CA2141	Cheese Shortage Reveals Canadian Dairy Products Not Such a Good Deal	12/12/2002
CA2141	Quebec Butter Ban Demanded	12/12/2002
CA2141	Canada Shipping BST-free Milk to U.S.	12/12/2002
CA2141	Sharp Rise in Number of Restaurant Meals	12/12/2002
CA2138	Border "Full of Holes" Says Dairy Farmers of Canada	12/05/2002
CA2138	Canadians Increasingly Eating Breakfast out	12/05/2002
CA2135	Canada and Cairns Group Call for Complete Elimination of Export Subsidies	11/28/2002
CA2134	Canada Is the Top Market for U.S. Farm, Fish, and Forest Exports	11/22/2002
CA2134	Canada's Food Regulations Outdated, Says Unilever VP	11/22/2002
CA2132	Exporter Guide	11/19/2002
CA2131	Canada's Cattle ID Program Showing Benefits	11/14/2002

CA2131	Vancief Tells Harvard Audience Global Subsidies Hurt All, Make World's Poorest Farmers Poorer	11/14/2002
CA2130	Government Launches Web Service for Canadian Exporters	11/07/2002
CA2126	Canada Working with Cairns Group for Agricultural Reform	10/24/2002
CA2123	Dairy Farmers Propose Fluid Milk Price Increase	10/22/2002
CA2121	Dairy and Products Annual	10/22/2002

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